

M e m o r a n d u m

To: Panel Members

Date: January 26, 2007

From: Diana Torres, Manager

Analyst: K. Campion

Subject: One-Step Agreement for **WILLIAMS FURNACE COMPANY**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce Developed Jointly By Management And Workers Moving To A High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 2,500
 - *In California:* 247
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: Cabinet Makers, Millmen and Industrial Carpenters, Local 721

CONTRACT:

- Program Costs: \$411,516
- Substantial Contribution: \$0
- Total ETP Funding: \$411,516
- Total In-kind Contribution: \$433,978
 - *Trainee Wages Paid During Training:* \$389,878
 - *Other Contributions:* \$44,100
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Bernardino

INTRODUCTION:

Williams Furnace Company (Williams Furnace), located in Colton, California, manufactures gas-fired wall furnaces and custom fan coil systems that use hydronics (the use of hot and cold water to heat or cool). The company's products are used in residential, retail and commercial buildings, and are custom manufactured to meet customer specifications.

Williams Furnace is eligible for funding under the out-of-state competition provisions provided in Title 22 California Code of Regulations, Section 4416(i) for companies classified as manufacturers under the North American Industrial Classification System (NAICS). The company proposes to retrain 322 full-time workers in the skills necessary to become a high performance workplace.

MEETING ETP GOALS AND OBJECTIVES:

Williams Furnace proposes training that will further the following ETP goals and objectives:

- 1) Promote California's manufacturing workforce.
- 2) Foster job retention in industries threatened by out-of-state competition.
- 3) Support companies moving to a high performance workplace environment.
- 4) Fund training developed jointly by labor and management representatives.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 - Retrainees	MENU: Business Skills, Computer Skills, Continuous Improvement, Manufacturing Skills, Management Skills, Literacy Skills	322	24 – 160	0	\$1,278	\$12.38 – \$36.50
Wages After 90-Day Retention						
<u>Occupation</u>						
Administrative Support Staff Assembler/Fabricator/Welder Operations Support Staff Materials Staff Engineer Technician Supervisor Manager						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
*Health benefits of at least \$3.38 per hour may be added to the trainee's wages to meet the ETP minimum hourly rate for San Bernardino County.					16%	5%
<u>Other Employee Benefits:</u>						
In addition to medical insurance, Williams Furnace offers a 401K retirement plan and a tuition reimbursement program.						

COMMENTS / ISSUES:

➤ *Frontline Workers*

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee), except for 17 supervisors and managers, or five percent of the trainee population.

➤ *Production During Training*

Williams Furnace agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal because it will assist this company's move to a high performance workplace by improving its operational efficiencies. Williams Furnace has been experiencing rapid growth, and will continue to expand its workforce, in the near future, necessitating the specialized training of this proposal.

NARRATIVE:

Due to the explosion of customer orders in the fan coil market, Williams Furnace has doubled the number of employees in the last year; from 182 employees in 2005 to 255 employees in 2006. Company representatives report that they are also preparing to hire an additional 75 to 100 employees by June 2007. They also report that the company has had a difficult time finding skilled and experienced workers in a labor market with 4.5 percent unemployment rate.

These challenges have propelled the company to develop a detailed, retraining initiative to enhance the competencies of its frontline staff in high performance workplace skills. Additionally, to better manage the company's rapid increase in business, Williams Furnace has recently purchased a new Enterprise Resource Planning (ERP) software system. The company projects that the new ERP system will help manage its current and future business growth, and provide trainees with the tools to interact more effectively with its customers.

Williams Furnace requests ETP funds to retrain its frontline staff in business skills, computer skills, continuous improvement, literacy skills, manufacturing skills, and management skills. Retraintees will receive formal, class/lab training based on their job functions.

Business Skills

Given the rapid growth in its fan coil business, Williams Furnace plans to become more proactive with its customers. Administrative support staff, engineers, technicians, and managers need to learn project management skills, communication skills and client servicing skills in order to understand the level of service, product quality and delivery that new clients expect. The company intends that, with these new skills, its employees will be able to present a unified, efficient and customer-focused face to current and future clients.

NARRATIVE: (continued)

Computer Skills

All occupations in the training plan will receive one or more modules of ERP software systems training. The new ERP system training will focus on the conversion of current business procedures and will affect operational planning, how customer's orders are entered and controlled, material purchasing and manufacturing planning, inventory planning and control, resource planning and reporting, product costing, operation reporting, and accounting. CAD training will be provided to engineers and technicians.

Continuous Improvement

The company's goal of becoming a high performance workplace is based on the implementation of a Lean Manufacturing environment critical to reducing waste and streamlining processes. All occupations in the training plan are projected to receive one or more topics that include Lean Enterprises, team building, problem analysis, process improvement, and SPC.

Manufacturing Skills

Manufacturing skills training is proposed for production workers, assemblers, fabricators and welders, to improve the efficiency of production lines. The production employees will take on more responsibility to implement new methods and procedures as Lean Enterprises becomes the driving focus of the operation.

Literacy Skills

To effectively participate in improvement teams, and understand the concepts of lean manufacturing and SPC, some production workers, assemblers, fabricators, and welders will receive training in Vocational English as a Second Language (VESL). Topics include verbal skills in workplace terminology and writing skills for data collection.

Management Skills

Supervisors and managers will receive training designed to lead the company through change. Williams Furnace proposes to train these employees in Business Operations and Procedures, Change Management, Team Leadership and Goal Setting. The goal of this training is to enable supervisors and managers to appropriately effectively implement the new systems and procedures, reduce costs, and motivate and support staff.

Commitment to Training

Williams Furnace representatives state that the ETP funding under this proposal will not displace any of its resources for training. They report that the company's training budget for 2006 was approximately \$75,000 for new hire orientation, safety, sexual harassment prevention, GED, advanced software skills and on-the-job training.

NARRATIVE: (continued)

Williams Furnace representatives report that the ETP funds are projected for a company-wide, structured training effort, not previously provided. ETP training will be formalized and closely scrutinized towards achieving objectives. Williams Furnace representatives project that the proposed training will ultimately create a more efficient and effective workplace and without ETP funding, the company would not be able to afford the comprehensive training necessary to sustain its projected growth.

SUBCONTRACTORS:

International Optimum Solutions, LLC, in Valencia California – 10 percent of payment earned for Project Administration.

THIRD PARTY SERVICES:

International Optimum Solutions, LLC assisted with the design of the training plan and completion of application documents at no charge.

Williams Furnace Company

MENU CURRICULUM

HOURS **CLASS/LAB**

24 – 160

Trainees will receive any of the following:

Business Skills

- Project Management Planning and Control Skills
- Communication Skills and Client Servicing Skills
- Advanced Customer Relationship Skills

Computer Skills

- Enterprise Resource Planning (ERP) System Procedures
- Material and Inventory Planning and Control Procedures
- CAD (Computer Aided Design) Skills

Continuous Improvement

- Lean Manufacturing
- Team Building
- Root Cause Analysis & Problem Solving
- Process Improvement Skills
- SPC – Statistical Process Control
- Leadership Skills for frontline workers

Literacy Skills (capped at a maximum of 45% of each retrainee's total job skills training)

VESL (Vocational English as a Second Language)

- Verbal skills - workplace terminology
- Writing skills – data collection and reporting

Management Skills (For Supervisors and Managers only)

- Change Management
- Business Operations and Procedures
- Team Leadership & Goal Setting Skills

Williams Furnace Company

MENU CURRICULUM (continued)

Manufacturing Skills

- Blueprints and Wiring Diagrams Reading skills
- Shop Math Skills
- Operations Support Materials Skills and Procedures
- Welding Methods and Procedures
- Fabrication Methods and Procedures
- Assembly Methods and Procedures
- CNC (Computer Numeric Control) Machining and Programming Skills

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)



CABINET MAKERS, MILLMEN AND INDUSTRIAL CARPENTERS LOCAL 721

November 6, 2006

Employment Training Panel
Application Review Unit
1100 J St. 4th Floor
Sacramento, CA 95814

To Whom it May Concern:

Cabinet Makers, Millmen and Industrial Carpenters Local 721 and Williams Furnace enjoy a unique relationship of mutual trust and respect. Since the replacement of the previous President/CEO in June 2005, our members have seen a dramatic and extremely positive turnaround, and the implementation of training programs this year has been an integral part of that change.

It is our understanding that Williams is moving towards direct relationship with the Employment Training Panel in order to increase and improve training for current employees and future new hires. We have watched the number of employees at Williams double since June 2005 and are aware that they expect to further increase their number significantly within the next 6-8 months.

We are unabashedly supportive of the Williams Furnace training programs and welcome any assistance the ETP may be able to offer.

Cordially,

Fernando Rojas
Business Manager/Financial Secretary
Local Union 721

FR/sh
opeiu #537
afl-cio

10015 ROSE HILLS ROAD, WHITTIER, CA 90601 • (562) 695-0571 • (800) 423-1612 • FAX (562) 695-1159